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RUSSIAN-AMERICAN COMMERCIAL RELATIONS

A YEAR ago, in December 1911, President Taft, with the consent of Congress, took steps to terminate the treaty of commerce concluded in 1832 between the United States and Russia. The one-year period that must elapse after notice given by either party, before the treaty terminates, is drawing to its close, and no new treaty has been negotiated. Had the United States given notice to any other nation that a commercial treaty eighty years old was no longer satisfactory and was to be terminated, there can be little doubt that a new treaty would have been concluded with reasonable promptness, and that no disturbance of commercial intercourse would have occurred. In the case of Russia, not only has the commercial problem been crossed and complicated by political disputes of a character especially distasteful to that power, but a close investigation indicates the existence of economic conditions which may cause the Russian government to hesitate before entering into any new treaty with the United States, even though commercial questions alone be involved. It is perhaps worth while, in the existing situation, to examine these conditions and also to consider the effect which the absence of any commercial treaty with Russia may have upon American commerce.

I

In many respects Russia and the United States are much alike. Each occupies the largest territory on its continent, and these territories are fairly equal in extent. Both have vast areas of very fertile lands and rich mineral resources. Until a recent period the population of both countries has been largely engaged in agricultural pursuits, and their main foreign commerce has been the exportation of the products of their soil and mines and the importation of manufactured articles. The climate in both countries is also very similar, and, as a result, the principal exports from both were until late years largely of the same products. To what an extent this has been the case

may be seen from the following table of exports of products of farm, forest, fisheries and mines from Russia and from the United States to other countries in 1910.

EXPORTS OF NATURAL PRODUCTS OF UNITED STATES AND OF RUSSIA IN 1910

EXPORTED FROM UNITED STATES

EXPORTED FROM RUSSIA

REFER- ENCE PAGE ¹	VALUE	ARTICLE	VALUE	REFER- ENCE PAGE ²
1996	\$1,521,622	Bran and bran flour	\$12,617,500	232
2005	785,771	Butter	26,204,232	"
2005	441,017	Cheese	178,105	"
1995 {	25,427,993 }	Corn and corn meal	9,869,460	"
	1,147,568 }			
1998	1,260,468	Eggs	32,799,835	"
1998	312,784	Feathers and down	825,545	"
1999	9,652,088	Fish and roe	3,221,165	"
2000	14,501,635	Furs and peltry	7,710,065	"
2000	1,738,216	Hides and skins	8,887,355	"
1995	4,081,157	Horses	239,475	"
2000	1,637,019	Iron ore	6,627,020	"
2004	12,195,403 }	Meat and cattle	{ 2,548,220	
1995	12,200,154 }		{ 1,967,815	"
2006 {	5,277,181 }	Mixed oils and naptha	14,573,470	"
	6,302,418 }			
2005	9,901,726	Naval stores.	{ 959,445	
			{ 1,204,000	"
1995 {	794,307 }	Oats and oatmeal	32,787,475	"
	521,658 }			
2006	19,251,012	Oilcake and oilseed	{ 16,293,055	
			{ 12,150,395	"
2005	599,548	Poultry	7,543,720	"
2009	7,870,985	Sugar and molasses	{ 142,140	
			{ 4,373,895	"
2010 {	14,570,064 }	Timber, lumber and logs	70,879,450	"
	37,282,072 }			
	12,080,962 }			
2009	4,207,319	Vegetables	1,822,070	"
	\$205,562,147		\$276,424,977	
1995	47,806,598 }	Wheat and wheat flour	214,575,265	
1996	47,621,467 }			

Moreover, until the last three or four decades, each nation, while developing with great rapidity, had comparatively little

¹ References in this column are to Bureau of Statistics, Monthly Summary of Commerce, June, 1911.

² The reference in this column is to Daily Consular and Trade Report, no. 241 (October 14, 1911).

home capital and was therefore compelled to finance most of its requirements abroad. Under these circumstances, there was little to promote direct commerce between the two nations, each producing mainly what the other had for sale. Moreover the means of communication between them were very poor, so that almost the only commerce possible was such as passed through other countries. As a result, twenty years ago the direct exports from the United States to Russia were only \$7,764,012 and its imports from Russia but \$4,729,778.¹

Within the last thirty years, however, great changes have taken place in both countries. Great business development in the United States has added vastly to its investment capital, until it has become one of the world's richest nations. This has also tended enormously to increase its manufacturing industries, and, as their output is rapidly exceeding the home necessities, a great increase in exports of manufactured goods has resulted, although its exports of agricultural and mineral products still remain very large.

During the same period Russia also has grown very rapidly. The fecundity of the Russian nation is most astonishing: during the census period from 1897 to 1908, although it lost 1,521,950 by emigration, the population of European Russia increased from 114,847,043 to 139,078,400, or about 22 per cent—a growth which has scarcely been exceeded by that of the United States, notwithstanding the enormous immigration to the latter. During this eleven-year period it is estimated from the official reports and census tables that the births in European Russia exceeded the deaths by 26,992,674.² Thus Russia's growth through natural increase exceeded that of the United States during the period stated. This rapid growth, by far the greatest portion of which was in the peasant or farming class, resulted in great congestion, especially in the more fertile central provinces, where the population is now far denser than in any rural portion of our own eastern or central states. This congestion, which has been the cause of most of the famines to which

¹ Statistical Abstract of the United States, no. 17 (1894), p. 70.

² Statesman's Year Book, 1908, p. 1412.

Russia formerly seemed subject, resulted in the migration of many of the peasants to cities and the consequent development of manufacturing industries on a large scale.

The great majority of the Russians are peasants, over 80 per cent being farmers. Prior to their emancipation in 1861 they had been serfs. After that event allotments averaging about seven acres of land were made to each peasant, which were to be paid for in long-time instalments. But the rapid growth of families made these farms too small to support their owners, and much suffering resulted. In 1884 a Peasants' Land Bank was established to assist them in purchasing more land, and finally in 1905 the government entirely remitted all balances remaining on the original allotments. In 1906 the Duma authorized the sale of public lands to the peasants on small payments extended over a long term of years. As a result of these wise measures and of consequent larger crops, the peasants are becoming more prosperous. Their economic progress has been greatly aided by the introduction of American agricultural implements, which are rapidly coming into use, especially among those who have bought larger farms.

Among the manufacturing industries of Russia which have made great progress of late years, an especially prosperous undertaking has been the production of cotton goods. The city of Lodz in Poland, which had a population of 50,000 in 1872, had grown to 393,526 in 1908—a rate of growth which has scarcely been exceeded by any city of its size in the United States. It has 76,670 people working in its 361 textile-fabric mills, on cotton, woollen, linen and silk goods, but mainly on cotton, the aggregate output of which in 1911 was valued at about \$97,500,000.¹ In this industry, accordingly, the city of Lodz compares very favorably with the entire state of Rhode Island, in which in 1910 the aggregate production of cotton and woollen goods was valued at \$124,913,000.² One single cotton mill near the city of Tver, probably the largest in the world, employs

¹ *Encyclopædia Britannica*, article "Lodz," p. 862. Garkany, *Yevreiskaya Entziklopediya* (St. Petersburg, 1912), p. 330. Bielschowsky, *Die Textilindustrie des Lodzer Rayons* (Leipzig, 1912).

² *Advance Bulletin of United States Census, Manufactures of Rhode Island*, p. 4.

25,000 people,¹ and Moscow, Jaroslav and other cities also have large cotton factories. In 1911 there were in operation in Russia 151 mills with 8,672,137 spindles, consuming about 1,596,000 bales of cotton.² The number of spindles has greatly increased in the past ten years, and Russia's cotton industry is now exceeded only by that of England, the United States and Germany and is still growing rapidly. In 1909 there were 840,520 workpeople employed in the European Russian textile fabric industries, as against some 881,128 in the United States in 1910.³

II

These industrial changes have brought about a great increase in the commerce between Russia and the United States, and, because of the earlier and more rapid development of the latter country, the increase has been greatly to its benefit. Thus the exports from the United States to Russia, which twenty years ago were \$7,764,000 and in 1901 were \$9,590,000,⁴ were officially stated in the Russian reports for 1910 at \$38,055,040.⁵ These reported figures, however, do not correctly represent the actual movement, because direct shipments from the United States to Russia are very difficult. There is but one regular steamship line to Russia, which plies between New York and Riga on the Baltic Sea. Shipments to southern Russia through Black Sea ports are largely dependent upon occasional freight steamers. As a result, a great portion of the American exports are made through English or German mercantile houses, are transhipped or forwarded by them, and are then reported in Russia as imports from England or Germany. This is especially the case with cotton, 304,200 bales of which were credited in official reports as imported from England or

¹ Meakin, *Russia, Travels and Studies* (London, 1906), p. 70.

² *Russian Year Book*, 1912, pp. 137, 141.

³ *Russian Year Book*, 1912, p. 700. United States Bureau of Census, *Bulletin, Manufactures*, 1910, p. 39.

⁴ United States Bureau of Statistics (January 1, 1912), *Trade between United States and Russia*.

⁵ As communicated by the consul general of the United States in Russia; cf. *United States Daily Consular Reports*, no. 241 (October 14, 1911), p. 226.

Germany, although over 80 per cent of that amount was American cotton.¹ In the same way, large amounts of leather, agricultural implements, hardware, typewriters, automobiles and other American manufactures reached Russia through Germany and were credited as imports from Germany. After correcting the official figures by comparing them with reports of American consuls and with Russian and German reports, our exports to Russia in 1910 would seem to have been at least \$65,869,356. That this estimate is not immoderate is proven by the report of Consul-General Snodgrass at Moscow, published October 14, 1911, in which he says:

The approximate trade of the United States with Russia can be conservatively estimated at \$70,000,000 in round figures, so that it actually ranks second among Russia's suppliers, as Great Britain exports many American articles, such as cotton, machinery and the like, which, subtracted from the aggregate, would place it third on the list.²

On the other side, the imports into the United States from Russia, which, as stated above, were \$4,729,728 in 1891, had grown to \$14,927,591 in 1910³—a much smaller proportionate growth than that shown by the American exports. Of these relatively small imports, by far the largest portion consisted of hides, fur and wool.

This growth of commerce between the two countries is summarized in the following table:

YEAR	EXPORTS TO RUSSIA	IMPORTS FROM RUSSIA	TOTAL COMMERCE
1891	\$7,764,012	\$4,729,778	\$12,493,790
1910	65,869,356	14,927,591	80,796,947
Increase	58,105,344	10,197,813	68,303,157

This certainly is an exceedingly satisfactory exhibit for the United States, showing as it does a growth of nearly 750 per

¹ United States Daily Consular Reports, no. 241 (October 14, 1911), p. 229.

² *Ibid.* p. 226.

³ *Ibid.* p. 227.

cent in the American exports and of nearly 550 per cent in the total trade of the two nations during a period of twenty years.

A closer examination reveals many features in this commerce which are worthy of careful attention. In 1891 much the larger part of the American exports, over 80 per cent in fact, consisted of raw cotton. Even at the present time American cotton is by far the largest item in Russia's import trade. But meanwhile a very satisfactory trade has been built up in our manufactured goods.

Among these, agricultural implements stand foremost. Of late years, and especially since measures have been taken by the Russian government to increase the size of the peasants' farms, every effort has been made to teach them better methods of cultivation. Special instruction in improved farming is now being given in many provinces. The use of fertilizers has been introduced, and many of the provincial legislatures (*zemstvos*) have appropriated funds to purchase agricultural machinery for cash and to sell them to the peasants on deferred payments. Moreover the large crops raised during the last four years and the high prices at which they have been sold have wonderfully improved the condition of great numbers of peasants and have enabled them to purchase the most modern class of farming implements, discarding those which had been in use since time immemorial. There are now 1500 agricultural associations of peasants, formed to teach them better farming methods, to procure better implements and live stock, and to improve their living conditions.

The value of the agricultural implements and machinery shipped direct from the United States to Russia in 1911 was \$8,126,145.¹ But in addition large quantities were shipped to England and Germany and then reexported to Russia, so that an estimate of \$11,000,000 would probably be less than the true amount.² In addition binder twine valued at \$1,765,371 was exported direct.³ Altogether, therefore, the exports of

¹ United States Bureau of Statistics (January 1, 1912), Trade between United States and Russia.

² United States Daily Consular Reports, no. 282 (December 2, 1911), pp. 1111, 1116, 1118, 1121, 1125.

³ Cf. *loc. cit.* note 1 *supra*.

American agricultural implements and supplies to Russia in 1911 were about \$13,000,000, or nearly double our entire direct exports of every character to Russia twenty years ago. Of the entire exports of agricultural implements and machinery from the United States in 1911 to all countries, which were valued at \$35,973,000,¹ it will be seen that Russia took more than one-third. Russia is, in fact, by far our best customer for these manufactures, better even than Canada or the Argentine.

The business of the larger American agricultural-implement houses in southern and central Russia and in Poland has been well organized. They have branch offices in ports on the Black Sea and on the Sea of Azov, with agencies in every government or province, and their success has been most gratifying. In 1910 the International Harvester Company made sales amounting to \$4,000,000 through its Odessa agency, and two other firms, handling reapers, threshers and engines, were completely sold out before the end of the season, having handled their largest year's business.² One agency in Poland made sales of \$900,000 during the year. At the port of Windau on the Baltic Sea, a port of call of the Russian-American steamship line from New York, the direct imports of agricultural implements and machinery from the United States in 1910 were valued at \$5,506,638.

Another large item in American exports is leather. Although the treasury reports show but \$813,031 exported to Russia in 1911,³ the actual exports, largely through England and Germany, were probably over \$3,500,000. The city of Warsaw, which is a very large producer of all classes of leather goods, consumed in 1910 70,000 pieces of American patent leather. Four Polish firms imported about \$1,000,000 worth of glazed American kid during the year, and the trade is steadily growing. The entire imports to Poland were estimated at \$2,500,000.

¹ United States Bureau of Statistics, *Monthly Summary Commerce*, June, 1911, p. 1995.

² United States Daily Consular Reports, no. 282 (December 2, 1911), pp. 1111, 1121.

³ United States Bureau of Statistics (January 1, 1912), *Trade between United States and Russia*.

The larger portion of these imports were made through German houses. The American goods were cheaper than other foreign leathers, but there was much complaint as to their condition. It is stated that American exporters could command the entire Polish leather market if better credits were given and the leather was more completely finished. It is estimated that the Warsaw market annually consumes over \$12,500,000 worth of finished leather, together with large quantities of horse, cow and bullock hides. It largely controls the entire glove trade of Russia. The total annual requirements of the Warsaw leather-goods market are estimated at \$50,000,000.¹

Hardware is another large article of American trade. In 1910 one New York house sold about \$1,000,000 worth through its agencies.² \$350,000 worth was exported to Finland. Large quantities of household hardware were shipped to Poland through Hamburg houses, but the Germans are copying these articles and underselling the American makers. An important article is typewriters, which are rapidly growing in use. As an instance, 585 American machines were sold in Riga in 1910, and with proper agencies throughout Russia a very large business could be built up.³ Another typical American production is cash registers, which with an excellently organized agency system are rapidly coming into use throughout Russia. The sales now are over \$700,000 per year.

As yet American automobiles have made little progress. To introduce and popularize them would require such an agency system as has produced their home success. One hundred American machines were sold in St. Petersburg in 1910, and smaller sales were made in Moscow, Warsaw, Odessa and Rostov. The Russian government is now considering the introduction of motor trucks into both the military and postal services. With the present facilities of American factories for building machines of high grade at low cost, Russia offers fine opportunities for a large business.

Western Siberia is developing a great dairy interest. Its

¹ United States Daily Consular Reports, no. 282 (December 2, 1911), p. 1126.

² *Ibid.* p. 1112.

³ *Ibid.* p. 1119.

butter is now claimed to equal the Irish and Danish makes. It is in large demand in the London market, to which its shipments have grown from 18,900 tons in 1900 to over 61,000 tons in 1910. A fine field exists in Siberia for the sale of dairy implements of all classes, both for butter-making and milk-condensing.¹

Much is being done in the development of water power in many parts of Russia, Finland, the Caucasus and western Siberia, and the demand for dynamos and motors in connection therewith is already large. Thus far most of them have been supplied by Germany, although the Westinghouse Electric Company has a factory in Russia.

From a consideration of these facts it may be seen at once that great opportunities exist throughout Russia for the introduction of very many classes of high-grade American manufactures. Russia is now the largest civilized nation; much the greater portion of its entire cultivable territory in Europe is thickly settled; its farming class, which for centuries maintained a bare existence, is now beginning to prosper and will have numberless new wants to supply; and of the opportunities which will thus be created American business men should be quick to take advantage.

The tale of our purchases from Russia may be quickly told. While many different articles are brought from that country in small amounts, the great bulk of our imports is in very few classes. The largest item is hides and skins, which in 1910 aggregated \$7,726,935. The other commodities imported in sufficient quantities to be worthy of note (over \$100,000) were raw wool, \$2,174,249; rubber waste, \$823,349; flax, hemp and tow, \$702,436; animal and human hair, \$718,115; liquorice root, \$486,302; wood pulp, \$408,026; fusel oil, \$317,548; manganese, \$301,602; and rugs, \$121,011.²

While, as we have seen, our sales to Russia have been rapidly increasing, our purchases from that country have of late years remained almost stationary. They were very little larger in

¹ Russian Year Book, 1912, pp. 111, 117.

² United States Daily Consular Reports, no 241 (October 14, 1911), p. 227.

1911 than in 1906; and if our imports from northern Persia, most of which come through Russian Black Sea ports, were deducted, it would probably be found that our purchases of Russian goods have been decreasing.¹

III

After considering all these facts, the natural conclusion would be that, for Russia, trade with us, as now conducted, is not desirable. We sell the Russians about \$70,000,000 per year and buy from them about \$15,000,000, giving a balance in our favor of about \$55,000,000 per year—a larger credit balance than is shown in our trade with any other country except Great Britain, Canada, Germany and the Netherlands, most of our exports to the latter being really for Germany.² Moreover, that credit balance has been growing every year, and at present the opening for sales of our manufactures to Russia seems almost unlimited. From our point of view, assuredly, every effort should be made to retain the good will and trade of so profitable a customer. But to Russia this state of affairs naturally seems less desirable. Every effort is being made by its government to correct so one-sided a condition. Having in view the vast purchasing power of over 150,000,000 civilized people, even though three-fourths of them are peasants and workingmen, strenuous efforts have been made to develop home manufactures, and in many lines these efforts have been very successful.

This is especially the case in clothing materials, such as cotton and woolen goods. Thus in 1910 Russia's imports of cotton goods were only \$6,276,820 and of woolen goods only \$6,377,000.³ These sums represent an outlay of about nine cents per year for each inhabitant; while the United States, notwithstanding its tremendous textile-milling capacity, imported such goods to a value of over eighty cents for each

¹ United States Bureau of Statistics (January 1, 1912), *Trade between United States and Russia*.

² United States Bureau of Statistics, *Monthly Summary of Commerce*, June, 1911, p. 2020.

³ United States Daily Consular Reports, no. 241 (October 14, 1911), pp. 228, 229.

inhabitant, or almost ten times as much as Russia.¹ This result has been largely obtained through the great development of cotton and wool spinning in Russia of late years. The 151 mills, which are now almost satisfying the home demand, consumed in 1910 1,596,000 bales of cotton. Although much progress has been made in developing the culture of cotton in various portions of the empire, it is still necessary to import about 500,000 bales of American cotton per year, which amount is exceeded only by Great Britain, Germany and France. But in common with all other cotton-consuming countries, Russia has become extremely restive because of the violent fluctuacious in values of American cotton during late years, and it is now making a determined effort to increase its own production to such an extent as not only to supply all the requirements of its own mills but also to become an exporter.

The present chief cotton-growing province is Russian Turkestan in Central Asia. Its western portion in the lower regions of the Amu Daria and Syr Daria Rivers, east and south of the Sea of Aral, had always been regarded as a desert, almost incapable of cultivation; but the eastern portions, comprising the districts of Ferghana, Bokhara and Samarcand, have for centuries been among the garden spots of Asia. After they came into Russian control, cotton culture under modern methods was introduced in 1880. American sea-island seed was first used, but it failed. In 1884 American upland seed was tried and succeeded at once, 720 bales being grown that year on 1234 acres.² Since then the development has been constant and rapid. In 1911 the crop gathered was about 1,200,000 bales.³ There are now in cultivation about 2,000,000 acres producing three-eighths to three-quarters of a bale per acre. Heretofore no fertilizers have been used, and it is believed that with their use the yield would be a bale per acre. (In the United States it is about forty-five one-hundredths of a bale per acre.⁴) This Turkestan cotton is of a very high grade:

¹ United States Bureau of Statistics, *Monthly Summary of Commerce*, June, 1911, pp. 1981, 1982, 1994.

² International Association of Master Cotton Spinners (Brussels, 1911), p. 240.

³ United States Bureau of Census, *Bulletin no. 114*, p. 46. ⁴ *Ibid.* p. 24, table 13.

Russian spinners prefer it to American upland at an equal price, considering it not inferior in length, lustre or strength.

The lower regions of these rivers, with very light and only occasional rainfall, were always classed as deserts. The area of this district is about 660,000 square miles, or more than double that of the state of Texas. Later investigations have proved that these lands have a very rich soil, needing only a supply of water. Government surveys show that an area of over four million acres could be watered from the Amu Daria and Syr Daria Rivers and would then rank among the finest cotton-lands in the world. Extremely fertile, and with an almost perfect summer, they should produce about a bale per acre.¹ Plans have been made for carrying out this irrigation project and arrangements for providing the necessary funds are to be made by the Russian government. In September 1911 an association was formed in Moscow to take charge of the practical work, and in November the Department of Agriculture promulgated rules for the allotment of the irrigated lands, preference to be given to small farmers. It is claimed that within ten years the entire 4,000,000 acres will be under irrigation and that Turkestan can then produce 5,000,000 bales per year.

In the territory south of the Caucasus Mountains, very considerable progress has been made in cotton culture. The country as a whole is quite mountainous and the rigors of the climate have sometimes damaged the crop. But, although only introduced twenty years ago, the output reached 110,000 bales in 1911 and there is every expectation of much greater growth.²

Because of its severe and very early winters, it was thought impossible to grow cotton in Southern Russia. But in 1908 cotton was planted in the Crimea on a small scale and with some success. Since then each year has shown additional planting, and it is now believed that this crop can be successfully and profitably grown. In 1909 it was also planted in the

¹ International Association of Master Cotton Spinners (Brussels, 1911), p. 241.

² Russian Year Book, 1912, p. 139.

governments of Kherson and Bessarabia near the Rumanian boundary, and some measure of success has already resulted.¹

Northern Persia has its only good trade-outlet by means of the Caspian Sea and the Russian railways. As this country has no railways of its own and very poor roads, transportation is very costly. But in 1910 it exported about 84,000 bales of cotton to Russia. When it comes under Russian control, and railways and good roads are built, its cotton exports should greatly increase.² Even now raw cotton is the largest single item in Persia's exports.

Modern cotton cultivation is also being introduced into western Chinese Turkestan and is proving successful, the cotton all going to Russia. With the railways which Russia expects soon to build through western Mongolia and Chinese Turkestan, that territory will unquestionably become a large cotton producer.

From these considerations it seems apparent that Russia will in a very few years produce in its own dominions all the cotton needed to supply its home industries and will cease to import this staple from the United States. In Russia itself it is confidently expected that in the not far future the empire will compete strongly with the United States as an exporter of cotton, as it already competes in the exportation of wheat, petroleum and even Indian corn.

During the past decade it has been the policy of the Russian government to offer every possible inducement for the establishment of manufacturing plants. Subsidies have been given, loans have been made and in many cases the government has even subscribed largely to the stock of corporations. These efforts have been very successful, and many foreign manufacturers have established branches in Russia, impelled thereto not only by the inducements offered by the Russian government but also by the large supplies of cheap raw materials of nearly all descriptions, the great reservoir of cheap labor always at command and the market furnished by a nation of 155,000,000

¹ United States Bureau of Census, Bulletin no. 114, p. 46.

² Statesman's Year Book, 1912, article "Persia."

people. This policy, consistently pursued, will eventually shut out the larger American industries now marketing their products in Russia. There is, for example, no inherent reason why all classes of agricultural implements and machinery should not be made there in place of being carried 5000 or 6000 miles from America. So, in 1910, the International Harvester Company established at Lubertzy, near Moscow, a factory which now employs 1500 men and will probably employ a much larger number in the near future. The Westinghouse Electric Company also has works near Moscow, employing 500 men; and the Singer Manufacturing Company has a factory at Podolsk, employing 600 men, which turns out small hand-power sewing machines that are very popular among the peasants and are in rapidly increasing demand. The New York Air Brake Company also has works near Moscow.

It is quite apparent, therefore, that even under the most favorable circumstances the great and profitable trade which the United States has built up with Russia is one that can not be promoted, that can not even be maintained, without great care on our part. There is every reason why Russia should try to produce for itself most of the articles it buys from us, and, with its vast and almost unequalled natural resources, such a result is not impossible. What Russia has already accomplished and what it is now attempting to do has been shown. How much more it can do, if induced or constrained thereto by mistaken action on our part, is difficult to overestimate.

Thus far every effort has been made by the Russian government to encourage American capital and enterprise to seek investment and employment in Russia, and there has been every indication that even closer industrial and commercial relations would be secured. The only direct, regular steamship line between the two countries was established through the efforts of Russia, and its establishment has not only largely increased American exports to Russia but has also resulted in the direct exportation from the United States of many articles heretofore handled through Great Britain and Germany.

Under such circumstances the decision of the United States

to terminate the treaty with Russia seems, from the economic point of view, a great mistake; and the circumstances under which this action was taken have greatly aggravated its consequences. Already many of the central and southern Russia *zemstvos* have suggested a boycott of American agricultural machinery, of which they have heretofore been large purchasers.

The termination of the existing treaty gives Russia a fine opportunity to put a stop to most of its American importations by fixing on them a tariff rate so heavy as to compel their manufacture in Russia. The probable success of such a policy is indicated by the results obtained in the manufacture of cotton and woolen goods and in the production of steel and sugar. Of the latter, Russia now produces nearly 1,500,000 tons per year, and it not only satisfies its entire home requirements of both articles but is also a large exporter of each.¹ It seems not improbable, therefore, that within five years Russia will be able to reduce its importations from the United States from the present total of \$70,000,000 per year to \$5,000,000 per year.

As to American purchases from Russia, as has already been shown, more than half is in hides and skins, which we use in our factories and will buy from any seller; some \$2,000,000 worth is in Turkestan wool, which our carpetmakers must have and can secure only from Russia²; \$500,000 is for liquorice root, required by our tobacco factories; and another million is in wood pulp, manganese, Persian rugs and furs, which we will gladly buy wherever offered. Evidently therefore, we shall be almost compelled, irrespective of the existence of any treaty, to purchase nearly every article which Russia now sells us, whether it buys anything from us or not.

Russia's export trade is very largely in crude agricultural and mineral products, of which every other European country is a consumer. Moreover, as its exports are always much larger than its imports, it has a heavy balance in its favor. There are, in fact, but five countries whose trade shows a balance against Russia. In the case of Germany, a large portion

¹ United States Daily Consular Reports, no. 241 (October 14, 1911), p. 233.

² United States Bureau of Statistics, Monthly Summary of Commerce, June, 1911, p. 1993.

of its balance arises from merchandise shipped through its ports from the United States to Russia. The raw-cotton portion of this we can fairly estimate and deduct, but the large amounts of machinery, leather and other American products so handled we can hardly calculate, although they would unquestionably amount to several million dollars. But even if we deduct raw cotton only from the German trade, the foreign-trade balances against Russia in 1910 were as follows:

China	\$5,757,700 ¹
East Indies	9,167,000 ²
Egypt	3,519,510 ³
Germany	8,539,005 ⁴
United States	50,941,665 ⁵

It will be noticed at once that the credit balance in favor of the United States is not only the largest, but is almost twice as large as all the others combined. Over \$30,000,000 of this balance to the United States consists of raw cotton, which, as has been shown, Russia in the near future will doubtless produce at home. Home cultivation would be very greatly stimulated by a heavy discriminative tax upon the American staple, and the imposition of such a tax will be made at once possible by the termination of the treaty of 1832.

It would seem not unlikely, therefore, that the position which the United States has taken in this matter will bring about a loss in its export trade that may easily amount to \$50,000,000 per year. At the same time, it seems improbable that it will obtain, in the near future, any of the modifications in the policy of the Russian government which the termination of the treaty was intended to secure. Indeed, a careful consideration of the facts above set forth would seem to indicate that, even in the improbable event that the United States should withdraw the political demands that were advanced in connection with the existing treaty, Russia might well deem it advisable, simply on economic grounds, to refuse to renew that treaty.

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¹ United States Daily Consular Reports, no. 241 (October 14, 1911), p. 226.

² *Ibid.*

³ *Ibid.*

⁴ *Ibid.* and no. 282 (December 2, 1911), p. 1125.

⁵ *Cf. supra*, p. 636, table.